VULAMEHLO – encouraging the community to report crime or criminals while it is being committed.

KHUSELEKA/DLALA KAKUHLE – an initiative based on self-protection and victim empowerment. It is about educating the youth about crimes and the different procedures to follow when they are victims of crime.

MANDL'ENKOSI – this initiative is about giving support to and educating Traditional Leaders on the importance of reporting crime to the police.

SAFETY CAMPAIGN – aimed at guiding tourists to safe areas and placing tour guides that can be properly identified from the public.

Health, Social and Human Conditions

The municipality and the Department of Health are committed to ensuring that local communities have access to efficient health facilities. In the current financial year, three clinics – Majola Clinic, Mavana Clinic and the Mzintlava Clinic – were constructed and equipped by the Department of Health.

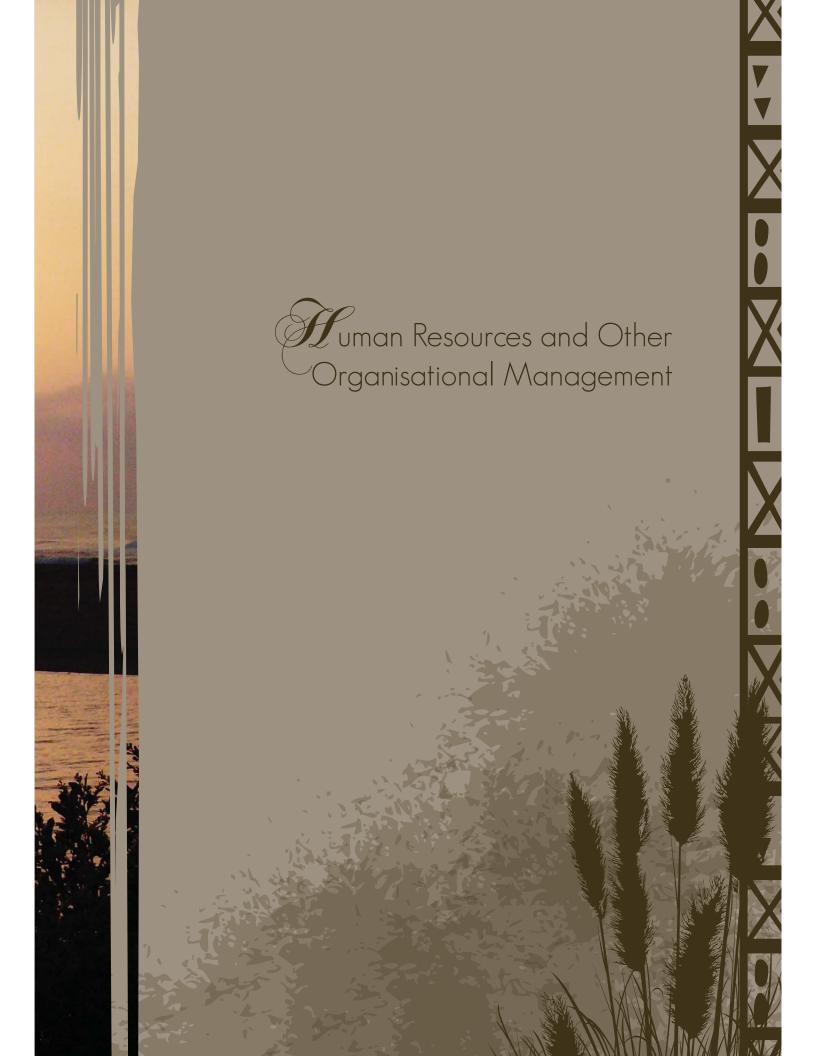
All villages have access to a health service centre, be it a clinic or a mobile unit. There are 35 mobile points in the municipality. Mobile units circulate once or twice a month, depending on the demand in that particular area. These visits should ideally occur every week in each mobile point; due to the limited personnel resources, however, this is currently not possible. Nonetheless, the service remains available.

The HIV/AIDS infection rate within the Port St Johns municipality is continuously increasing. The limited access to clean water and sanitation services in the municipality leads to outbreaks in diseases like diarrhoea and tuberculosis, increasing the vulnerability of those infected by HIV.

The Department of Health, together with the municipality, is involved in a number of initiatives, such as health promotion in schools and encouraging the development of gardens in clinics.

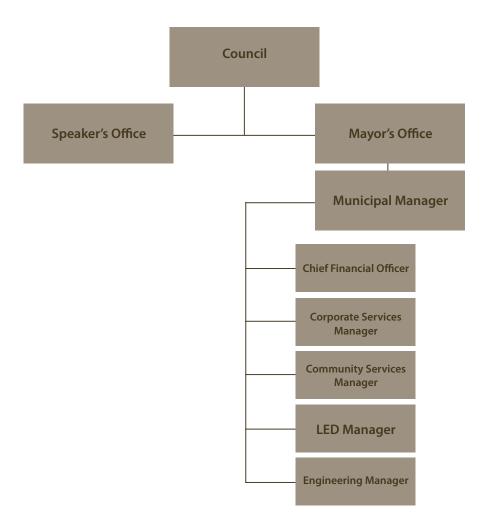
Health promoters are sent out to schools to motivate and encourage students to lead healthy lifestyles. A committee within the schools, involving teachers and students, is usually established. Committee members are then given the responsibility to continue educating students about abstinence, exercising, personal hygiene, living a smoke- and alcohol-free life, etc. Nurses from clinics and NGOs, such as Love Life, are sometimes invited to give talks about the above issues. The following schools are currently involved in this programme: Vulindlela, Tombo, Jokwana and Thekwini J.S.S.



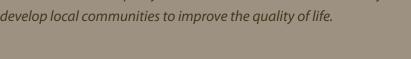




Fuman Resources and Other Organisational Management Municipal Organisational Structure



Port St. Johns Municipality will deliver services to the community and develop local communities to improve the quality of life.



Review of Personnel Structure

| Item No. | Name of Department | Total Personnel Structure | Vacancies | Total Authorised Structure | Positions Vacant (highlights) |
|-------------|-------------------------------|---------------------------------|-----------|----------------------------------|-------------------------------------|
| 1. | Municipal Manager's Office | 4 | 1 | 5 | Coordinator |
| 2. | Corporate services | 29 | 15 | 50 | |
| 3 | LED | 3 | 1 | 4 | |
| 4 | Community services | 22 | 11 | 63 | Manager |
| 5 | Finance | 9 | 6 | 14 | Senior Accountant |
| 6 | Engineering | 99 | 10 | 44 | |
| | Total | 166 | 43 | 175 | |



Skills Development

Various workshops were planned with the aim of enhancing the skills of the municipality workers. However, not all workshops were conducted due to financial constraints. ABET classes were conducted during the financial year for the personnel members who showed interest. The municipality also has a Finance Internship Programme, whereby interns are trained for three years in all aspects of the Finance Department. The aim is to prepare them for future careers as Chief Finance Officers. Experiential learners are placed in the Human Resources Department and then rotated among the various functions of the department, gathering as much experience as they can. Only the interns who are funded by National Treasury receive salaries. Currently, the municipality has two interns and three experiential trainees.

Personnel Expenditure History

Salaries constitute 49% of total expenditure and have always displayed an upward trend due to vacancies being filled. More significantly, total expenditure has remained relatively constant over the last three years. Total expenditure for years 2006 to 2008 has, respectively, been R18.9 million, R20.4 million and R21.3 million.

Arrear amounts owed to the municipality by staff/councilors.

| | 2008 | 2007 |
|----------|------|---------|
| ar loans | | 174 404 |

Prior to the promulgation of the MFMA Senior Managers were entitled to car loans. Since then no new loans have been issued; the last loan recovered in full in the current year bore interest at 8%.

Employment Equity

The municipality is committed to fostering an institutional culture that recognises and respect the equal dignity and opportunity of all who seek to participate in active pursuit of the objectives of the municipality. This is achieved by developing policies and programs which facilitate and encourage free, safe and full participation in all municipal initiatives and activities and eliminates direct and indirect systematic discrimination, particularly against members of disadvantaged groups.

Workforce profile as at 30 June 2008

| Category and Occupational levels | African | Coloureds | Disabled | Female Total | African | Disabled | Male Total | Grand Total |
|--|---------|-----------|----------|-----------------|---------|----------|---------------|----------------|
| Senior Management | 2 | - | - | 2 | 4 | - | 4 | 6 |
| Operational staff | 69 | 2 | 2 | 73 | 84 | 3 | 87 | 160 |
| Total | 71 | 2 | 2 | 75 | 88 | 3 | 91 | 166 |

Gender Equity

Gender equality is not a matter of concern at the Port St. Johns Municipality, as males and females are fairly represented on both senior and middle management levels.

Pension, Provident and Medical Aid Funds

Pension and Provident Funds

Council employees belong to the SAMWU National Provident Fund. Besides the monthly payroll deductions paid to the provident funds, no future risks or extraordinary liabilities are foreseen.

Medical Aid Funds

Municipal personnel belong to the following Medical Aid Schemes:

Samwumed Medical Scheme Bonitas Medical Scheme LA Health Medical Scheme Medcover Medical Scheme

Other than standard monthly payroll deductions made and paid over to these medical aid schemes, no future risks or extraordinary liabilities are foreseen in this regard.

Occupational Health and Safety

Port St. Johns municipality is generally a safe place to work. The safety of the workers is generally not at risk, except in the Engineering Department, where staff are exposed to external risks when performing fieldwork. In this regard, only reports of minor injuries have been received.

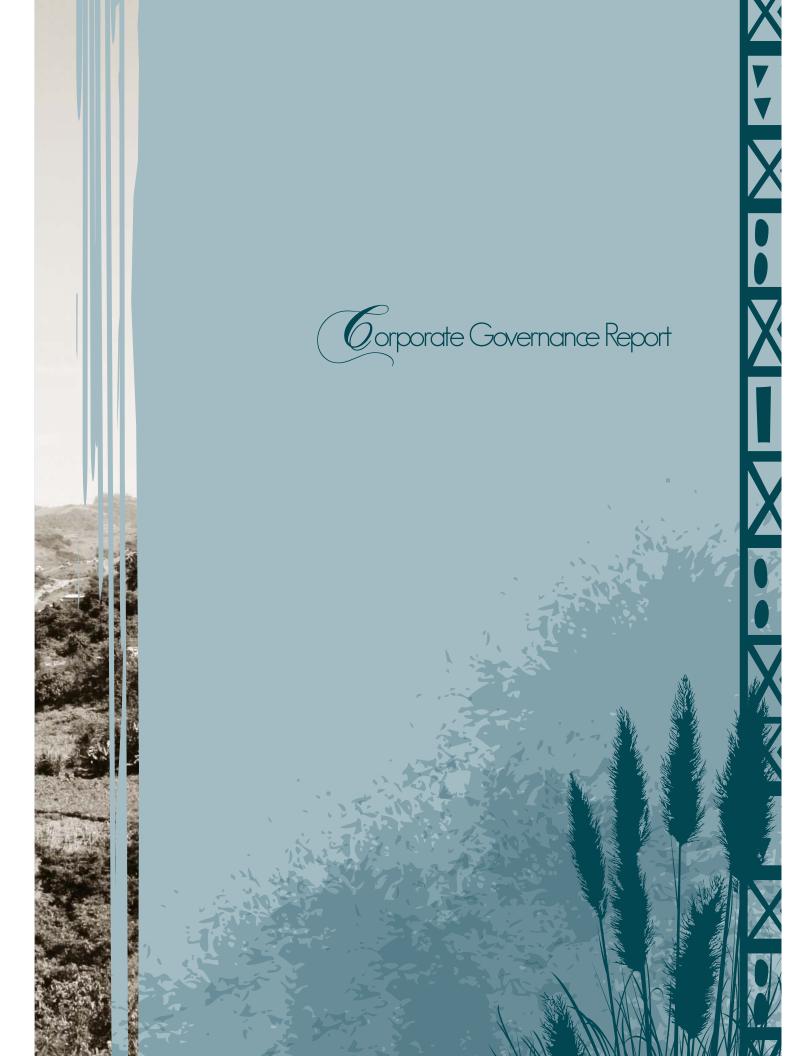
Each group of field workers has a safety representative that has undergone first aid training and has a responsibility to ensure that the rest of the workers always wear their protective clothing at all times.

















This section of the report explains the framework of the institutional structures that the Council established in the past to enable the Council to monitor the municipal plans and strategies as contained in the IDP and the SDBIP.

The Integrated Development Planning Process

IDP is a participatory planning process, aimed at integrating sector-based strategies in order to support the optimal allocation of scarce resources amongst sectors and geographic areas and across the population, in a manner that promotes sustainable growth, equity and the empowerment of the poor and the marginalised.

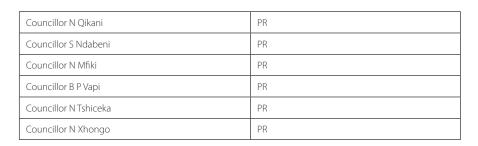
The IDP was approved by the Council after rigorous input by the community through various public participation engagements, strategy reviews and assessment by the Ad-Hoc IDP Committee and all Standing Committees, including the Mayoral Committee of the Council.

Council Structure

| Councillor | Portfolio | |
|--------------------------|---------------------|--|
| Councillor W.M Mtakati | Mayor (Exco member) | |
| Councillor P Langa | Speaker | |
| Councillor N Kawu | Chief whip | |
| Councillor H Z Cube | Exco member | |
| Councillor B Nokanda | Exco member | |
| Councillor A N Ncoyini | Exco member | |
| Councillor N Mfiki | Exco member | |
| Councillor J N Tambodala | Exco member | |
| Councillor N R Nodela | PR | |
| Councillor K Hanxa | PR | |

"How easy and simple it is to live enjoyably when the simple, interminable blue of the sky, with its long wisps of white clouds, become a pleasant thing to behold, a thing of beauty that thrills you every time you care to look skyward."

- John Schindler



Standing Committees and Chairpersons

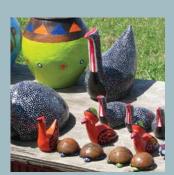
| Committee | Chairperson | |
|----------------------------|------------------------|--|
| Executive Committee | Councillor W.M Mtakati | |
| Finance and Administration | Councillor H.Z Cube | |
| Local Economic Development | Councillor B Nokanda | |
| Public Works | Councillor A.N Ncoyini | |
| Social Needs | Councillor N Mfiki | |

As mentioned above, each of the portfolio-based Standing Committees is headed by an executive member of the Council, accountable to the Executive Committee that in turn accounts to the Council.

Functioning of the Governance Structures

Four ordinary council meetings are held per year, evenly spread over the quarters of the financial year. The Speaker is the chairperson of the Council. At these meetings, the Mayor presents his quarterly report, which covers municipal performance against the pre-determined municipal goals and objectives contained in the IDP. The Council reviews, analyses and scrutinises these reports. Special council meetings are called as and when considered necessary.

The Executive Committee has prescheduled monthly meetings; special meetings are called as and when necessary. Similarly, the Standing Committees are prescheduled to meet monthly; these meetings assess the performance of each of their respective portfolios against preset performance targets set in the municipal IDP. Management attends both the Executive Council and the Standing Committees for accounting purposes.







At community structure level, Ward Committees are also pre-scheduled to meet monthly. The duty of Ward Committees is to communicate community expectations to the municipality through the governance structures and provide feedback on performance to the community.

The municipal administration, comprising of Senior Managers and the rest of the staff, is led by the Municipal Manager, who is the accounting officer.

Audit and Risk Committee and Internal Audit

During the year under review, the municipality had neither a functional Internal Audit Unit, nor an Audit and Risk Committee. The municipality is sharing the Internal Audit resources with the District Municipality and this will be effective in the forthcoming financial year. An Audit and Risk Committee has since been established in the new financial year.

Risk Management

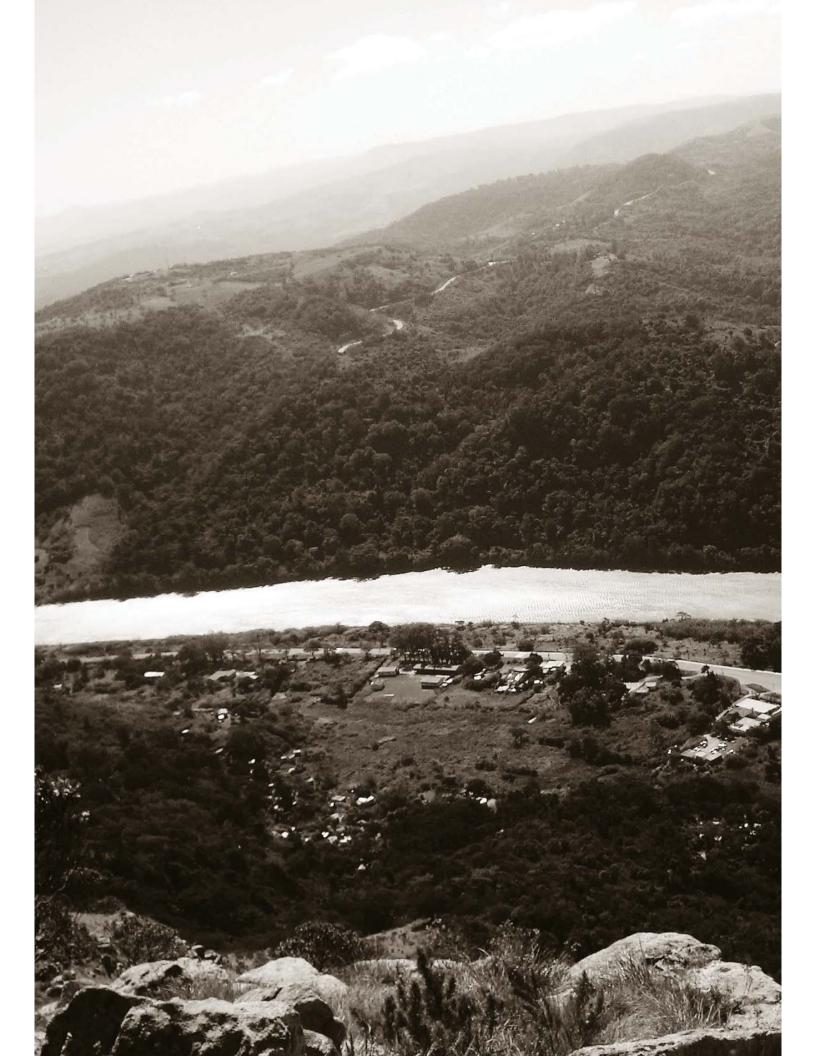
In the current financial year, the Risk Management Function could not be adequately performed. As a result, the municipality could implement neither an anti-corruption strategy nor a fraud and corruption prevention plan. In the 2008/09 financial year, a comprehensive risk management strategy has since been developed.

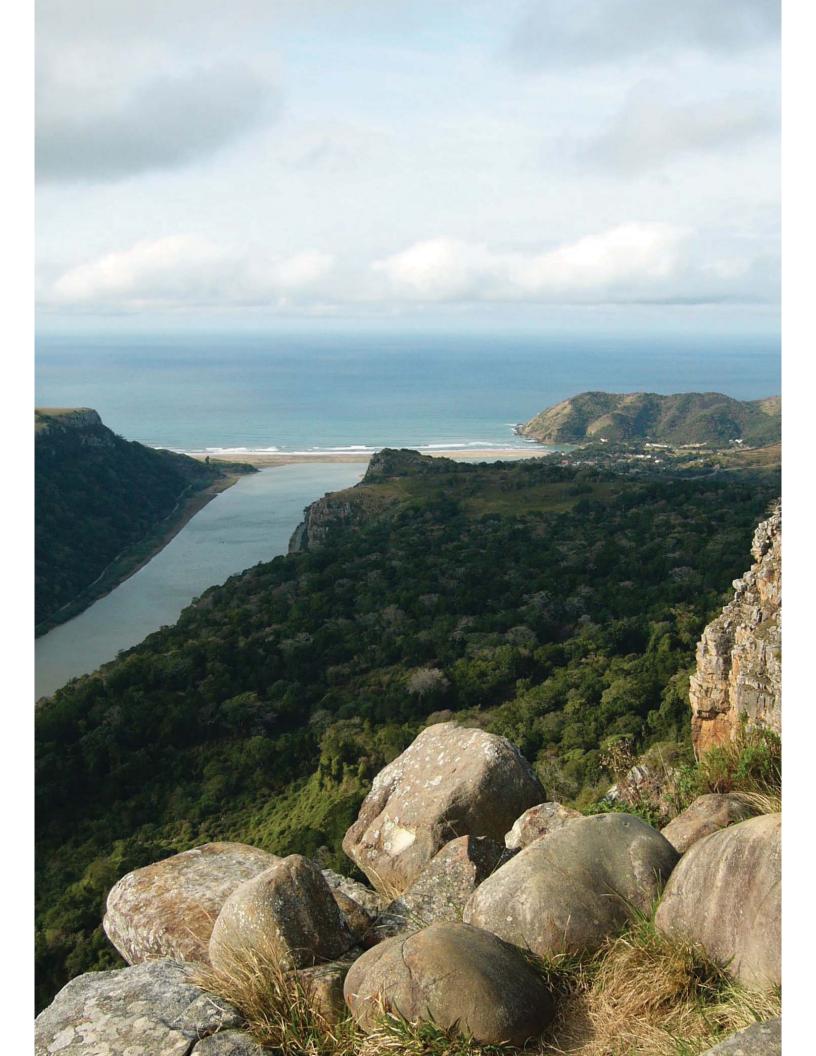
Internal Control Systems

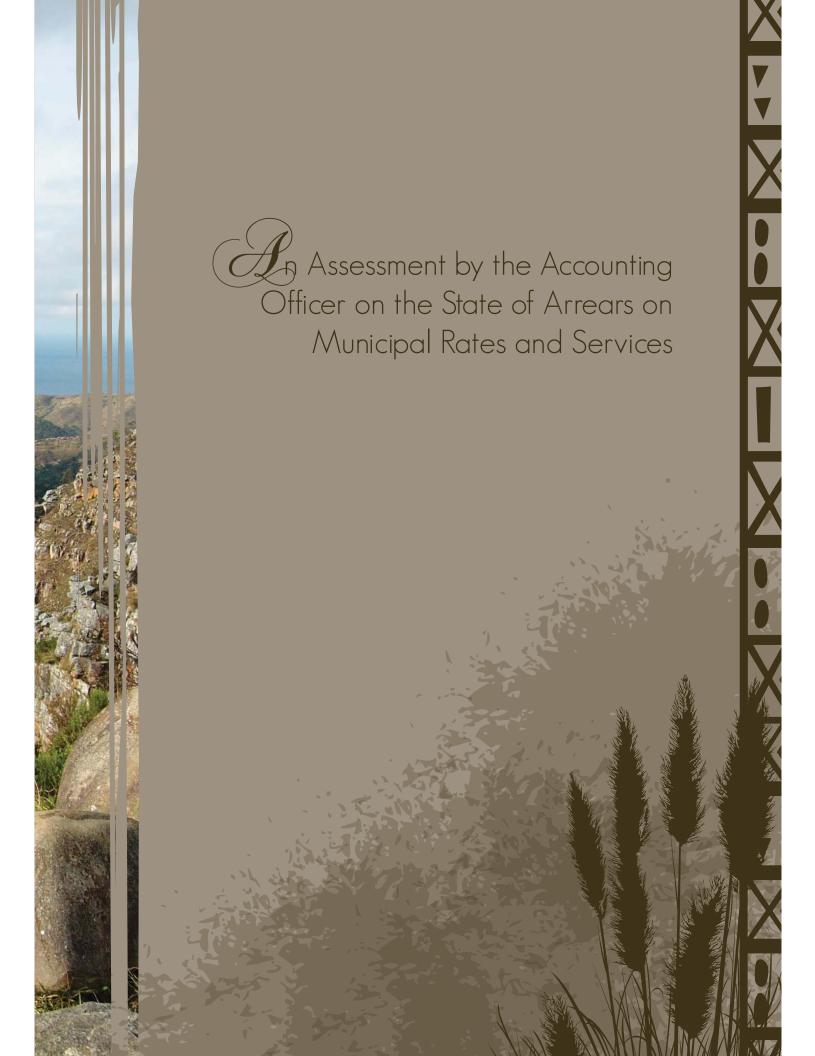
As a result of personnel shortages in critical areas, the municipality's internal control system was not always ideal. The municipality is correcting this in the 2008/09 financial year.

Human Resources and Policies

A workplace-skills plan, approved by the Local Government Seta, was developed and implemented during the past years. This plan is now the guideline for training at the municipality. A training committee was also put in place during the year. The municipality fosters a healthy relationship with trade unions and has established a number of structures and platforms for management and unions to discuss mutual issues.









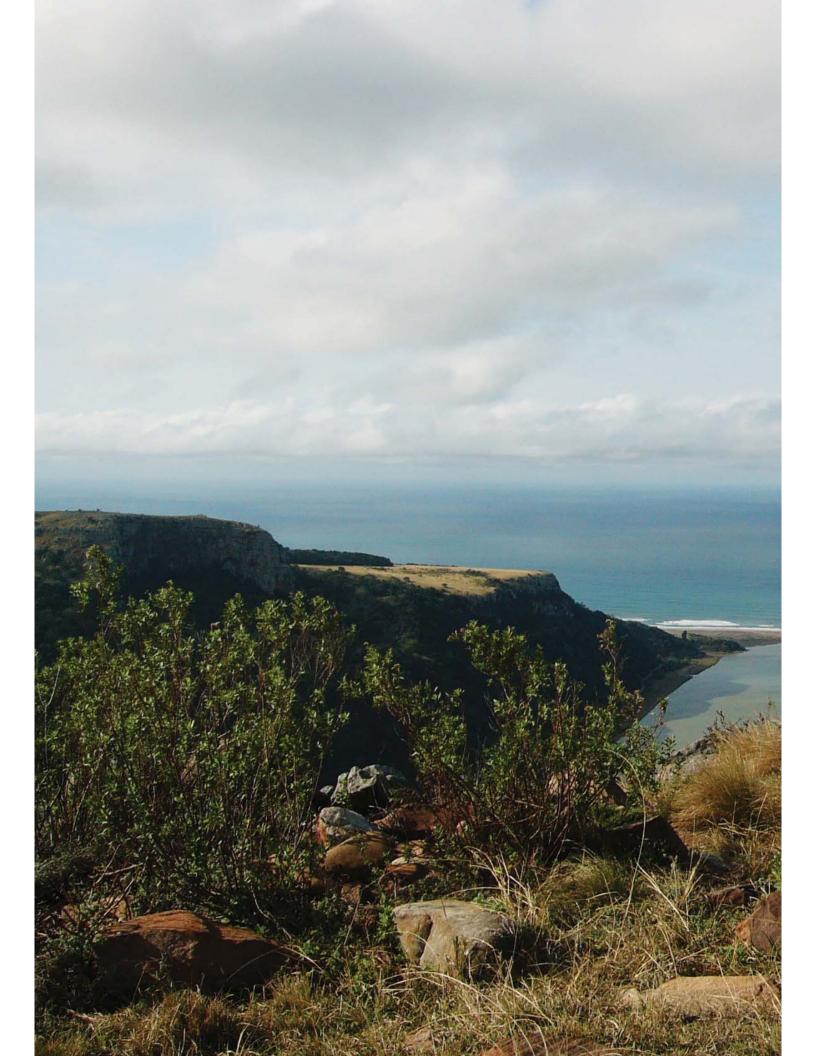


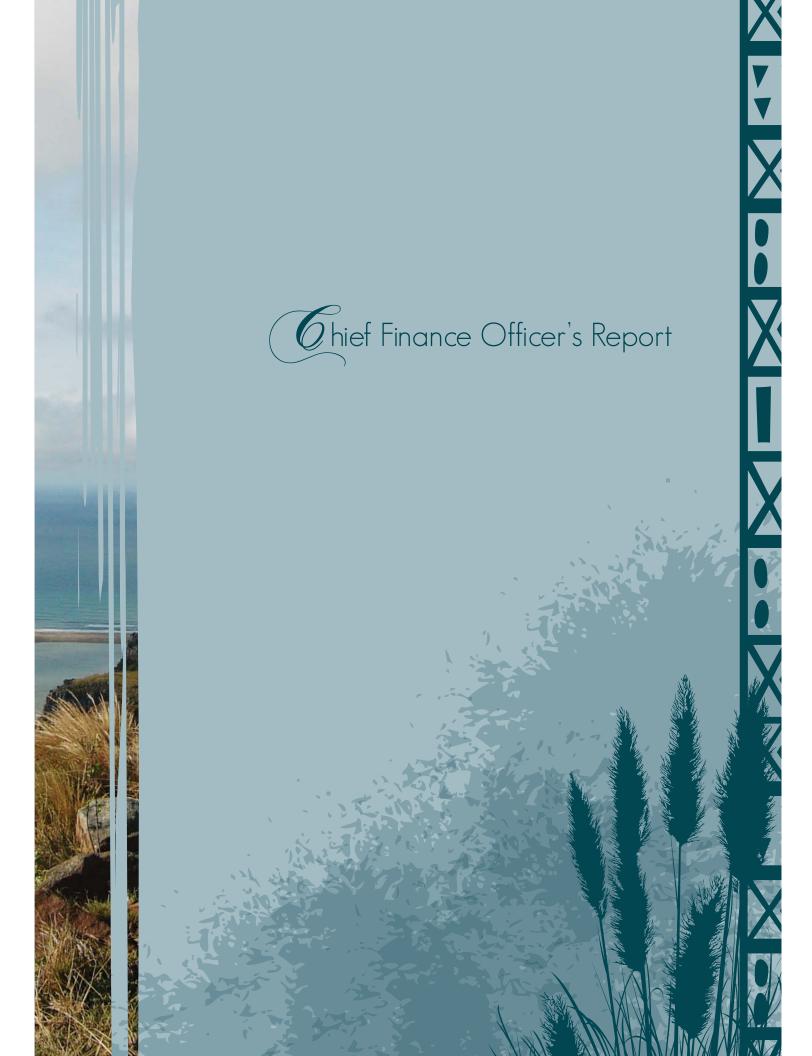
Assessment by the Accounting Officer on the State of Arrears on Municipal Rates and Services

| | Assessme | ent Rates Debtors | | Service Debtors |
|------------------------------|-----------|-------------------|-----------|-----------------|
| | 2008 | 2007 | 2008 | 2007 |
| | | | | |
| Current | 160 372 | 120 940 | 166 552 | 129 581 |
| 30 Days | 1 685 143 | 1 270 809 | 103 042 | 80 168 |
| 60 days | 143 991 | 108 588 | 55 029 | 42 813 |
| 90 days | 186 212 | 140 428 | 53 339 | 41 499 |
| 120 + days | 4 882 135 | 3 681 741 | 1 696 203 | 1 319 673 |
| Sub total | 7 057 853 | 5 322 506 | 2 074 165 | 1 564 180 |
| Less provision for bad debts | 4 664 266 | 2 775 927 | 1 427 451 | 815 791 |
| Total | 2 393 587 | 2 546 579 | 646 714 | 748 389 |

The municipality continues to experience challenges with respect to the recoverability of consumer debtors. This is one of the key strategic challenges of the municipality: to substantially improve the collection rate of consumer debtors.











Accounting Framework

During the year under review, the municipality implemented the modified General Recognised Accounting Practice (GRAP), Generally Accepted Municipal Accounting Practice (GAMAP) and Generally Accepted Accounting Practice (GAAP) standards, with certain exemptions.

Previously and similarly to other municipalities in the country, the municipality reported using the Institute of Municipal Finance Officers (IMFO) standards, which were the historical Local Government Accounting standards. These were largely based on the historical appropriation accounting.

The impact of this conversion is that the municipality's financial statements fully reflect the results of operations (reported in the statement of financial performance) and the complete financial position of the municipality at the reporting date (statement of financial position).

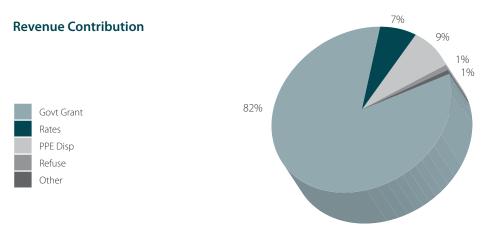
The adoption and implementation of these GRAP accounting standards is a direct result of the reincorporation of the Republic into the world economy after decades of isolation. Public sector financial reporting is now aligned to the rest of the world's standards and practices. Furthermore, the municipality applied and was approved for early adoption of these accounting standards as the municipality sought to achieve early compliance.

Income

The graph labelled "Revenue Contribution" on the following page depicts a picture common to most small-to-medium sized municipalities: over-reliance on government grant income for the funding of municipal operations. The PPE Disposal represents a profit on the disposal of land.

The long-term municipal strategy is to grow the revenue in a sustainable manner; this is part of an ongoing overall municipal turnaround strategy. The municipality will implement the Property Rates Act in the 2009/10 financial year. This will bring about a substantial increase in the municipality's own generated revenue, giving further impetus to the strategy of growing own revenue. The Municipal Manager's report expands on further developmental aspects of the town which shall impact the municipality's income generation potential.

The adoption and implementation of these GRAP accounting standards is a direct result of the reincorporation of the Republic into the world economy after decades of isolation. Public sector financial reporting is now aligned to the rest of the world's standards and practices.



Rate Assessment

For the year under review, the municipality charged rates at 3.00 cents in a Rand in respect of all property types, based on recent property valuation effective on 01 July 2007, hence the substantial increase in comparison to the 2006/07 financial year.

Debtors

Municipal consumer debtors at year end were as follows:

| | Gross Balance | Provision | Net Balances |
|----------------|---------------|-----------|--------------|
| Rates | 7,057,855 | 4,664,266 | 2,393,589 |
| Refuse | 853,618 | 587,464 | 266,153 |
| Property lease | 1,220,547 | 839,987 | 380,560 |
| | 9,132,020 | 6,091,717 | 3,040,303 |

As mentioned above, the collection and recoverability of consumer debtors is one of the key challenges at our municipality.

Fixed Asset Register and Property Plant and Equipment

As part of implementing the modified GRAP, GAMAP and GAAP, the municipality had to prepare a GRAP compliant, electronic and bar-coded fixed asset register.

National Treasury has afforded municipalities a number of user-friendly options in the process of implementing GRAP. Among others, Property, Plant and Equipment may be re-valued to arrive at auditable asset values.

The municipality utilised this option successfully and it resulted in a substantial improvement in the municipality's financial position, given that in 2007 (IMFO accounting standards) we had reported an accumulated deficit of R9,213,989 and the municipality was technically insolvent. In the current year, however, we are reporting an Accumulated Surplus of R7,579,313 a turnaround of R16,793,302.

In addition, two further reserves have been created: the Capitalisation Reserve of R15,072,448 and the Government Grant Reserve of R8,393,008. Together, these reserves amount to R31.0 million partly representing net assets of R45.9 million. The Capitalisation and the Government Grant Reserves will be utilised to write off the equivalent depreciation as it is realised.

Free Basic Services

In accordance with the mandate received from the national government, all municipalities have a duty to provide free basic services to the poorest of the poor in our respective communities. During the year under review, the municipality provided power in the form of electricity (50kw per month per household) and solar-generated power to a total of 3 358 and 64 households, respectively. Further, we provided free refuse removal to 425 households per month over the twelve-month period.

Capital Expenditure

In the year under review the municipality spent a total of R3,467,909 on Property Plant and Equipment, against a budget of R6,899,000. This comprises of a revamping of street lights to the value of R839,162, access road construction of R2,410,581. The balance of R218,166 related to movable administrative assets and some traffic equipment.

Provident Fund

The municipality's personnel belong to the SAMWU National Provident Fund which is a defined contribution plan. Members of the Fund contribute 7.5% of pensionable emoluments. The municipality contributes in the ratio 2,4:1.

The Municipality's Financial Position

As mentioned above, GRAP implementation brought about recognition of fixed assets (Property, Plant and Equipment) and substantial equity previously not reported on in the Balance Sheet (Statement of Financial Position). This has improved the municipality's financial position immensely.

This GRAP implementation process enabled the municipality to restate a number of balances that were not correctly stated in the past. Note 21 of the financial statements provide more details in this regard.

The municipality's net working capital has remained practically the same between the prior and current year. This is due to the increase in creditors and the unspent conditional grants and receipts partially offset by a R3 million decrease in the municipal bank overdraft. This net increase in creditors is offset by a R3 million increase in current assets attributable to Other Debtors and VAT Receivable.

On the whole, the municipality's Financial Position and the Results of Operations have improved remarkably in comparison to prior years. The current year Deficit for the Year – R4.1 million – is arrived at after taking into account a R6.1 million Bad Debts written off and provision for bad debts, thus rendering the prior year surplus of R2.3 million comparable to a current year cash surplus of R2.0 million.

The municipality expects to sustain and improve the results of its operations and its financial position, with particular focus on improving the municipality's liquidity, going forward.



